



**WISCONSIN  
HISTORICAL  
SOCIETY**

Headquarters Building  
816 State Street  
Madison, WI 53706-1482  
608-264-6400

**Testimony before Economic Development Committee.  
SB 447 Historic Preservation Rehabilitation Tax Credit  
February 13, 2008**

I am Michael Stevens and am State Historic Preservation Officer and Administrator of the Division of Historic Preservation and Public History at the Wisconsin Historical Society.

The Wisconsin Historical Society supports SB447, which would modify the state historic building tax credit for rehabilitating income-producing properties. This bill will revise the Wisconsin historic preservation tax credit law in a way to draw more out-of-state investment in the state without increasing the size of the credit. Wisconsin law currently provides a 5% state historic building tax credit for rehabilitating income-producing properties, which supplements the 20% federal historic building tax credit. In many states, the investor who uses the federal credit is different from the investor who uses the state credit. This gives developers the chance to attract additional investors, thus maximizing use of the credit provision by achieving a larger pool of investors.

Currently, in Wisconsin each partner in a project gets a portion of the state tax credit based on that partner's investment. However, if the out-of-state investor did not have a Wisconsin tax liability, that credit would go unused. As a result, out-of-state investors have a disincentive to invest capital in the restoration of an historic Wisconsin property.

The proposed legislation changes the current law in order to permit partners to allocate the credit based on a written agreement. The law does not change the amount of the credit, but only the way that the credit gets allocated among partners. It also changes the effective date of the credit from the date of federal approval to the date of state approval. This is important because it allows developers to begin work as soon as the Society approves the application without waiting for federal approval, which could take an additional 60 days.

Why is this change important? Government cannot and should not preserve all historic properties in the state. The preservation of the state's historic built environment depends on private investment. The bill allows the existing credit to be more functional. Last year, \$50 million was invested in the rehabilitation of historic buildings in Wisconsin. This represents a significant investment both in the preservation of our history as well as in the economy of the State.



To: Senator Julie Lassa and Members of the Senate Economic Development Committee

From: Gary J. Gorman, CEO Gorman & Company, Inc.

Re: Support SB 447 and its companion bill AB 762

Date: February 7, 2008

Thank you madam chair and members of this committee for holding this committee hearing today. A special thanks as well to you Senator Lassa for your leadership as the main Senate author of SB 447. My name is Gary Gorman and my firm, Gorman & Company, Inc., has been in the business of preservation and renovation of historic buildings since 1985. We have completed or are currently working on historic projects in LaCrosse, Milwaukee, Racine, Evansville, Sheboygan, Madison, Beloit, and Oregon. We have completed over \$140,000,000. in investment in historic preservation projects in our state.

Included with my testimony today is a packet of information about our firm and individual projects that our firm has completed. In virtually every case, historic projects are located in downtown areas and are abandoned or underutilized prior to renovation. The investment made in these projects supports local leader's efforts to revitalize their downtown or decaying neighborhoods. Local leaders support these projects because they create jobs for many local skilled and well paid construction trades, increase property taxes paid to the community and the school system, and draw people to live and work in otherwise stressed areas.

Beyond the primary economic benefits, renovation of historic buildings adds charm to the community, strengthens the appeal of the community to tourism, and honors the origins and founders of the community.

I urge members of this committee to support SB 447 and its companion bill AB 762 so that we can start attracting Wisconsin based investor capital to these projects in a manner as was originally intended when the Wisconsin historic credit was created by the Legislature. The problem now is that the investors in these projects are primarily seeking the federal historic tax credit which is four times as large as the Wisconsin credit. Given the nature of the equity markets and the size of the required investments most investors are not Wisconsin taxpayers. Since under current law the Wisconsin credit cannot be separated from the federal credit, the Wisconsin historic credit is wasted.

This bill would allow a Wisconsin investor to utilize the Wisconsin historic credit even if the federal credit is utilized by an out of state investor. This brings additional capital to historic projects so that more projects will be financially feasible. Many states, such as Missouri and others, already offer this kind of flexibility.

Costs to the state related to the tax credit are easily off-set by the income tax on the economic activity and job creation generated by construction as well as the additional sales tax from tourism activity in the community.

We do not believe that anyone is opposed to this legislation. We have worked very hard with different groups over the past six months to make sure that the bill before you today has widespread support. Based on the other organizations who are here in support of this bill today, I think you will all be convinced that moving this legislation forward will be good for Wisconsin.

Thank you for this opportunity to testify before you today. I urge you to vote "Yes" on the Senator Julie Lassa/Representative Brett Davis proposal.

Sincerely,

Gary J. Gorman  
CEO, Gorman & Company, Inc.